

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS

JUNE 30, 2014

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT

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LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2014

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Angie Kemp	Board President	2015
Eric Schlutz	Board Member	2013
Riley Padgett	Board Member	2013
Pam Lee	Board Member	2015
Bob Nowak	Board Member	2015

(After September 2013 Election)

Angie Kemp	Board President	2015
Pam Lee	Board Member	2015
Bob Nowak	Board Member	2015
Eric Schlutz	Board Member	2019
Scott Wilson	Board Member	2019

School Officials

Mike Van Sickle	Superintendent	2014
Karron Stineman	District Secretary/Treasurer	Indefinite
Duane Goedken	Attorney	Indefinite

Kay L. Chapman, CPA PC

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Muscatine, Iowa 52761
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Independent Auditor's Report

To the Board of Education
Louisa-Muscatine Community School District:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Louisa-Muscatine Community School District, Letts, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Louisa-Muscatine Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 14 and 45 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Louisa-Muscatine Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated January 29, 2015 on my consideration of Louisa-Muscatine Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Louisa-Muscatine Community School District's internal control over financial reporting and compliance.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
January 29, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Louisa-Muscatine Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 Financial Highlights

- General Fund revenues decreased from \$7,686,456 in fiscal 2013 to \$7,607,287 in fiscal 2014 and General Fund expenditures increased from \$8,082,341 in fiscal 2013 to \$8,126,246 in fiscal 2014. The District's General Fund balance decreased from \$2,108,306 in fiscal 2013 to \$1,589,347 in fiscal 2014, a 25% decrease.
- The decrease in General Fund revenue can be attributed, in part, to decreases in property tax and federal grant revenues.
- The increase in General Fund expenditures can be attributed mainly to increased purchased services, such as tuition.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Louisa-Muscatine Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Louisa-Muscatine Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Louisa-Muscatine Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Fund
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and preschool/daycare programs	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition and daycare/preschool programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and Daycare/Preschool Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Fiduciary fund: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of a private-purpose trust fund.

Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary fund are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for the fiduciary fund include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's Net Position at June 30, 2014 compared to June 30, 2013.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business type Activities		Total District		Total Change
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
Current and other assets	\$ 8,805,831	\$ 8,924,209	\$ 192,864	\$ 205,629	\$ 8,998,695	\$ 9,129,838	-1.44%
Capital assets	<u>10,828,164</u>	<u>11,091,796</u>	<u>193,215</u>	<u>219,658</u>	<u>11,021,379</u>	<u>11,311,454</u>	-2.56%
Total assets	<u>19,633,995</u>	<u>20,016,005</u>	<u>386,079</u>	<u>425,287</u>	<u>20,020,074</u>	<u>20,441,292</u>	-2.06%
Long-term liabilities	5,543,181	5,497,482	-	-	5,543,181	5,497,482	0.83%
Other liabilities	<u>1,029,976</u>	<u>3,805,885</u>	<u>39,404</u>	<u>48,777</u>	<u>1,069,380</u>	<u>3,848,966</u>	-72.22%
Total liabilities	<u>6,573,157</u>	<u>9,303,367</u>	<u>39,404</u>	<u>48,777</u>	<u>6,612,561</u>	<u>9,346,448</u>	-29.25%
Deferred inflows of resources	<u>2,856,842</u>	<u>2,690,052</u>	-	-	<u>2,856,842</u>	<u>2,690,052</u>	6.20%
Net position							
Net investment in							
capital assets	5,528,164	5,791,796	193,215	219,658	5,721,379	6,011,454	-4.83%
Restricted	3,310,689	2,906,820	-	-	3,310,689	2,906,820	13.89%
Unrestricted	<u>1,365,143</u>	<u>2,014,022</u>	<u>153,460</u>	<u>162,548</u>	<u>1,518,603</u>	<u>2,176,570</u>	-30.23%
Total net position	<u>\$ 10,203,996</u>	<u>\$ 10,712,638</u>	<u>\$ 346,675</u>	<u>\$ 382,206</u>	<u>\$ 10,550,671</u>	<u>\$ 11,094,844</u>	-4.90%

The District's combined net position decreased by approximately 5%, or \$544,173, from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the

related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$403,869 or approximately 14% over the prior year. The increase can be attributed to the accumulated funds in the Capital Projects fund for the payment of the tax exempt bond due in 2024.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$657,967, or approximately 30%. This decrease in unrestricted net position was primarily a result of a decrease in the General Fund balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4

Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2013-</u> <u>2014</u>
Revenues							
Program revenues							
Charges for service	\$ 826,007	\$ 827,147	\$285,704	\$ 267,897	\$ 1,111,711	\$ 1,095,044	1.52%
Operating grants	1,270,269	1,273,319	198,496	203,398	1,468,765	1,476,717	-0.54%
General revenues							
Property tax	3,028,067	3,200,470	-	-	3,028,067	3,200,470	-5.39%
Statewide sales, services and use tax	666,749	639,468	-	-	666,749	639,468	4.27%
Unrestricted state grants	2,970,934	2,996,347	-	-	2,970,934	2,996,347	-0.85%
Unrestricted investment earnings	48,426	43,293	275	345	48,701	43,638	11.60%
Other	<u>44,570</u>	<u>76,345</u>	<u>-</u>	<u>-</u>	<u>44,570</u>	<u>76,345</u>	-41.62%
Total revenues	<u>8,855,022</u>	<u>9,056,389</u>	<u>484,475</u>	<u>471,640</u>	<u>9,339,497</u>	<u>9,528,029</u>	-1.98%
Program expenses							
Instruction	5,723,562	5,925,807	-	-	5,723,562	5,925,807	-3.41%
Support services	2,661,679	2,671,757	-	-	2,661,679	2,671,757	-0.38%
Non-instructional programs	11,772	10,505	520,006	520,088	531,778	530,593	0.22%
Other expenses	<u>966,651</u>	<u>929,332</u>	<u>-</u>	<u>-</u>	<u>966,651</u>	<u>929,332</u>	4.02%
Total expenses	<u>9,363,664</u>	<u>9,537,401</u>	<u>520,006</u>	<u>520,088</u>	<u>9,883,670</u>	<u>10,057,489</u>	-1.73%
Change in net position	(508,642)	(481,012)	(35,531)	(48,448)	(544,173)	(529,460)	2.78%
Net position beginning of year	<u>10,712,638</u>	<u>11,193,650</u>	<u>382,206</u>	<u>430,654</u>	<u>11,094,844</u>	<u>11,624,304</u>	-4.55%
Net position end of year	<u>\$ 10,203,996</u>	<u>\$ 10,712,638</u>	<u>\$346,675</u>	<u>\$ 382,206</u>	<u>\$ 10,550,671</u>	<u>\$ 11,094,844</u>	-4.90%

In fiscal 2014, property tax and unrestricted state grants account for 68% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for almost 100% of the revenue from business type activities. The District's total revenues were \$9,339,497 of which \$8,855,022 was for governmental activities and \$484,475 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2% decrease in revenues and a 2% decrease in expenses. The decrease in revenues can be attributed, in part, to a decrease in property tax revenue and federal grant receipts. The decrease in expenditures is primarily a result of budget/expense reductions.

Governmental Activities

Revenues for governmental activities were \$8,855,022 and expenses were \$9,363,664 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013- 2014	2014	2013	Change 2013- 2014
Instruction	\$ 5,723,562	\$ 5,925,807	-3.4%	\$ 3,965,716	\$ 4,129,028	-4.0%
Support services	2,661,679	2,671,757	-0.4%	2,633,266	2,668,392	-1.3%
Non-instructional programs	11,772	10,505	12.1%	11,772	10,505	12.1%
Other expenses	<u>966,651</u>	<u>929,332</u>	4.0%	<u>656,634</u>	<u>629,010</u>	4.4%
Total expenses	<u>\$ 9,363,664</u>	<u>\$ 9,537,401</u>	-1.8%	<u>\$ 7,267,388</u>	<u>\$ 7,436,935</u>	-2.3%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$826,007.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,270,269.
- The net cost of governmental activities was financed with \$3,028,067 in property taxes and \$2,970,934 in unrestricted state grants.

Business Type Activities

Revenues for business type activities for the year ended June 30, 2014 were \$484,475, representing a 3% increase over the prior year while expenses totaled \$520,006, a less than 1% decrease from the prior year. The District's business type activities include the School Nutrition Fund and Preschool/Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The increase in revenue can be attributed, in part, to increased student meal and ala carte sales. The slight decrease in expenditures for business type activities can be attributed to changes in personnel costs.

INDIVIDUAL FUND ANALYSIS

As previously noted, Louisa-Muscatine Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,708,341, slightly below last year's ending fund balances of \$4,901,150.

Governmental Fund Highlights

- The General Fund balance decreased from \$2,108,306 in 2013 to \$1,589,347 in fiscal 2014. The District's deteriorating General Fund financial position is attributable to expenditures exceeding revenues. Increased expenditures due, in part, to increased purchased service costs combined with less property tax revenue due to the inability to levy cash reserve and declining enrollment, has resulted in a decrease in fund balance.
- The Capital Project - Statewide Sales, Services and Use Tax Fund balance increased from \$2,371,374 in fiscal 2013 to \$2,900,335 in fiscal 2014. This balance builds as SAVE revenues are accumulated in the sinking fund for retirement of the tax exempt bond in 2024.

Proprietary Fund Highlights

Enterprise Fund net position decreased from \$382,206 at June 30, 2013 to \$346,675 at June 30, 2014, representing a decrease of approximately 10%.

BUDGETARY HIGHLIGHTS

During the fiscal year, Louisa-Muscatine Community School District did not amend its annual budget.

The District's revenues were \$7,642 less than budgeted revenues, a variance of less than 1%. The budget is certified in the spring prior to the beginning of the fiscal year. At that time there are many things still unknown for certain, such as grant amounts, open enrollment tuition and other miscellaneous sources of income.

Overall total expenditures were \$285,769 less than budgeted. It is the District's practice to budget expenditures at levels up to the maximum authorized spending authority for most funds, then to control and manage spending through the line-item budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$11,021,379, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 3% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$595,554.

The original cost of the District's capital assets was \$22,042,732. Governmental funds account for \$21,608,270, with the remainder of \$434,462 accounted for in the Proprietary Funds.

The largest change in capital asset activity occurred in furniture and equipment category, from \$542,572 in 2013 to \$627,661 in 2014. The increase resulted from the purchase of two buses and computer/technology equipment.

Figure A-6

Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2013-</u> <u>2014</u>
Land	\$ 90,976	\$ 90,976	\$ -	\$ -	\$ 90,976	\$ 90,976	0.00%
Buildings and improvements	10,054,761	10,403,828	-	-	10,054,761	10,403,828	-3.36%
Improvements, other than buildings	247,981	274,078	-	-	247,981	274,078	-9.52%
Furniture and equipment	<u>434,446</u>	<u>322,914</u>	<u>193,215</u>	<u>219,658</u>	<u>627,661</u>	<u>542,572</u>	15.68%
Totals	<u>\$10,828,164</u>	<u>\$11,091,796</u>	<u>\$193,215</u>	<u>\$219,658</u>	<u>\$11,021,379</u>	<u>\$11,311,454</u>	-2.56%

Long-Term Debt

At June 30, 2014, the District had \$5,543,181 in general obligation and other long-term debt outstanding. This represents an increase of approximately 1% over last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

This district continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$12.8 million.

Figure A-7

	Outstanding Long-term Obligations		
	Total	Total	Total
	District	Change	
	2014	2013	2013-2014
QSCB Revenue bonds	\$ 5,300,000	\$ 5,300,000	0.00%
Termination benefits	126,359	113,142	11.68%
Net OPEB liability	<u>116,822</u>	<u>84,340</u>	38.51%
Total	<u>\$ 5,543,181</u>	<u>\$ 5,497,482</u>	0.83%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- A critical piece of Iowa's school funding formula is enrollment. While class sizes have stabilized for most grades, a "bubble" class will graduate in 2016 that will result in a loss of approximately 20 students.
- The October 2104 certified enrollment count, which is the basis for funding FY16, decreased by 6 students.
- Historically, the District has entered into annual contracts with its collective bargaining units. Settlements in excess of new money or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Corresponding reductions will be made to offset the cost of negotiated settlements and other cost increases.
- After three failed attempts, the voters approved an additional thirty-three cents for the Physical Plant and Equipment Levy for use to replace roofs at the elementary and secondary buildings.
- The magnitude of the cost to comply with the regulations of the Affordable Care Act will cause an increase in the cost to the district of employee health insurance.
- Supplemental State Aid (formerly Allowable Growth) was set at 4% for Fy15 but has not yet been determined by the legislature for Fy16, making financial planning difficult.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Karron Stineman, Board Secretary/Treasurer and Business Manager, Louisa-Muscatine Community School District, 14478 170th Street, Letts, Iowa 52754.

Basic Financial Statements

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Statement of Net Position
June 30, 2014

Exhibit A

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments			
Investment with fiscal agent	\$ 1,698,938	\$ -	\$ 1,698,938
Other	3,432,061	177,165	3,609,226
Receivables			
Property tax			
Delinquent	23,510	-	23,510
Succeeding year	2,856,842	-	2,856,842
Accounts receivable	149,450	900	150,350
Income surtax	285,932	-	285,932
Due from other governments	359,098	-	359,098
Inventories	-	14,799	14,799
Non-depreciable capital assets	90,976	-	90,976
Capital assets, net of accumulated depreciation	10,737,188	193,215	10,930,403
Total assets	<u>19,633,995</u>	<u>386,079</u>	<u>20,020,074</u>
Liabilities			
Accounts payable	87,640	125	87,765
Salaries and benefits payable	867,076	33,583	900,659
Accrued interest payable	75,260	-	75,260
Unearned revenue	-	5,696	5,696
Long-term liabilities			
Portion due within one year			
Termination benefits payable	68,648	-	68,648
Portion due after one year			
Termination benefits payable	57,711	-	57,711
Revenue QSCB bonds payable	5,300,000	-	5,300,000
Net OPEB liability	116,822	-	116,822
Total liabilities	<u>6,573,157</u>	<u>39,404</u>	<u>6,612,561</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	<u>2,856,842</u>	<u>-</u>	<u>2,856,842</u>

See notes to Financial Statements.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Statement of Net Position
June 30, 2014

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 5,528,164	\$193,215	\$ 5,721,379
Restricted for			
Categorical funding	247,225	-	247,225
Physical plant and equipment	126,162	-	126,162
Student activities	36,967	-	36,967
School infrastructure	2,900,335	-	2,900,335
Unrestricted	<u>1,365,143</u>	<u>153,460</u>	<u>1,518,603</u>
Total net position	<u>\$10,203,996</u>	<u>\$346,675</u>	<u>\$10,550,671</u>

See notes to Financial Statements.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2014

Exhibit B

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities							
Instruction							
Regular instruction	\$ 3,780,246	\$ 560,461	\$ 824,678	\$ -	\$ (2,395,107)	\$ -	\$ (2,395,107)
Special instruction	839,823	139,223	107,041	-	(593,559)	-	(593,559)
Other instruction	1,103,493	122,910	3,533	-	(977,050)	-	(977,050)
	5,723,562	822,594	935,252	-	(3,965,716)	-	(3,965,716)
Support services							
Student	165,172	-	-	-	(165,172)	-	(165,172)
Instructional staff	476,047	-	-	-	(476,047)	-	(476,047)
Administration	871,921	-	-	-	(871,921)	-	(871,921)
Operation and maintenance of plant	619,055	-	25,000	-	(594,055)	-	(594,055)
Transportation	529,484	3,413	-	-	(526,071)	-	(526,071)
	2,661,679	3,413	25,000	-	(2,633,266)	-	(2,633,266)
	11,772	-	-	-	(11,772)	-	(11,772)
Non-instructional programs							
Other expenses							
Facilities acquisition	71,244	-	-	-	(71,244)	-	(71,244)
Long-term debt interest and administration costs	152,020	-	-	-	(152,020)	-	(152,020)
AEA flowthrough	310,017	-	310,017	-	-	-	-
Depreciation (unallocated) *	433,370	-	-	-	(433,370)	-	(433,370)
	966,651	-	310,017	-	(656,634)	-	(656,634)
	9,363,664	826,007	1,270,269	-	(7,267,388)	-	(7,267,388)
Total governmental activities							

See notes to financial statements.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2014

Exhibit B

	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
<u>Functions/Programs (continued)</u>						
Business type activities						
Non-instructional programs						
Food service operations	\$ 459,073	\$ 237,477	\$ 198,496	\$ -	\$ -	\$ (23,100)
Daycare/preschool program	60,933	48,227	-	-	-	(12,706)
Total business type activities	520,006	285,704	198,496	-	-	(35,806)
Total	\$ 9,883,670	\$ 1,111,711	\$ 1,468,765	\$ -	(7,267,388)	(7,303,194)
<u>General Revenues</u>						
Property tax levied for						
General purposes					2,767,327	-
Capital outlay					260,740	-
Statewide sales, services and use tax					666,749	-
Unrestricted state grants					2,970,934	-
Unrestricted investment earnings					48,426	275
Other					44,570	-
Total general revenues					6,758,746	275
Change in net position					(508,642)	(35,531)
Net position beginning of year					10,712,638	382,206
Net position end of year					\$ 10,203,996	\$ 346,675
						\$ 10,550,671

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash, cash equivalents and pooled investments	\$ 2,311,945	\$ 899,737	\$ 220,379	\$ 3,432,061
Investment with fiscal agent	-	1,698,938	-	1,698,938
Receivables				
Property tax				
Delinquent	20,635	-	2,875	23,510
Succeeding year	2,324,337	-	532,505	2,856,842
Accounts receivable	149,450	-	-	149,450
Income surtax	257,339	-	28,593	285,932
Due from other governments	57,403	301,660	35	359,098
Total assets	<u>\$ 5,121,109</u>	<u>\$ 2,900,335</u>	<u>\$ 784,387</u>	<u>\$ 8,805,831</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 83,010	\$ -	\$ 4,630	\$ 87,640
Salaries and benefits payable	867,076	-	-	867,076
Total liabilities	<u>950,086</u>	<u>-</u>	<u>4,630</u>	<u>954,716</u>
Deferred inflows of resources				
Unavailable revenues				
Succeeding year property tax	2,324,337	-	532,505	2,856,842
Income surtax	257,339	-	28,593	285,932
Total deferred inflows of resources	<u>2,581,676</u>	<u>-</u>	<u>561,098</u>	<u>3,142,774</u>
Fund balances				
Restricted for:				
Categorical funding	247,225	-	-	247,225
Management levy purposes	-	-	84,123	84,123
Student activities	-	-	36,967	36,967
School infrastructure	-	2,900,335	-	2,900,335
Physical plant and equipment	-	-	97,569	97,569
Unassigned	1,342,122	-	-	1,342,122
Total fund balances	<u>1,589,347</u>	<u>2,900,335</u>	<u>218,659</u>	<u>4,708,341</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,121,109</u>	<u>\$ 2,900,335</u>	<u>\$ 784,387</u>	<u>\$ 8,805,831</u>

See notes to financial statements.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
June 30, 2014

Exhibit D

Total fund balances of governmental funds	\$ 4,708,341
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**Amounts reported for governmental activities in the Statement of Net Position
are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	10,828,164
--	------------

Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	285,932
--	---------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(75,260)
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Long-term liabilities, including bonds payable, termination benefits and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(5,543,181)</u>
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Net position of governmental activities	<u>\$10,203,996</u>
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LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

Exhibit E

		Capital Projects	Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total
Revenues	General				
Local sources					
Local tax	\$2,671,963	\$ -	\$ 361,416	\$3,033,379	
Tuition	622,398	-		622,398	
Other	95,683	44,597	156,327	296,607	
State sources	3,981,751	666,749	150	4,648,650	
Federal sources	235,492	-	25,000	260,492	
Total revenues	<u>7,607,287</u>	<u>711,346</u>	<u>542,893</u>	<u>8,861,526</u>	
Expenditures					
Current					
Instruction					
Regular	3,579,117	28,865	119,084	3,727,066	
Special	831,799	-	4,201	836,000	
Other	974,440	-	123,065	1,097,505	
	<u>5,385,356</u>	<u>28,865</u>	<u>246,350</u>	<u>5,660,571</u>	
Support services					
Student	202,283	-	1,153	203,436	
Instructional staff	460,249	-	14,400	474,649	
Administration	816,438	1,500	91,705	909,643	
Operation and maintenance of plant	545,023	-	60,152	605,175	
Transportation	406,880	-	190,723	597,603	
	<u>2,430,873</u>	<u>1,500</u>	<u>358,133</u>	<u>2,790,506</u>	
Non-instructional programs	-	-	11,772	11,772	
Other expenditures					
Facilities acquisition	-	-	129,449	129,449	
Long-term debt					
Interest and fiscal charges	-	-	152,020	152,020	
AEA flowthrough	310,017	-	-	310,017	
	<u>310,017</u>	<u>-</u>	<u>281,469</u>	<u>591,486</u>	
Total expenditures	<u>8,126,246</u>	<u>30,365</u>	<u>897,724</u>	<u>9,054,335</u>	

See notes to financial statements.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

Exhibit E

	<u>General</u>	<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (518,959)</u>	<u>\$ 680,981</u>	<u>\$ (354,831)</u>	<u>\$ (192,809)</u>
Other financing sources (uses)				
Interfund operating transfers in	-	-	152,020	152,020
Interfund operating transfers (out)	<u>-</u>	<u>(152,020)</u>	<u>-</u>	<u>(152,020)</u>
Total other financing sources (uses)	<u>-</u>	<u>(152,020)</u>	<u>152,020</u>	<u>-</u>
Change in fund balances	(518,959)	528,961	(202,811)	(192,809)
Fund balance, beginning of year	<u>2,108,306</u>	<u>2,371,374</u>	<u>421,470</u>	<u>4,901,150</u>
Fund balance, end of year	<u>\$1,589,347</u>	<u>\$2,900,335</u>	<u>\$ 218,659</u>	<u>\$4,708,341</u>

See notes to financial statements.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2014

Exhibit F

Change in fund balances - total governmental funds \$(192,809)

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 305,479	
Depreciation expense	<u>(569,111)</u>	(263,632)

Certain revenues not collected for several months after year end are not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. (6,502)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Termination benefits	(13,217)	
Other postemployment benefits	<u>(32,482)</u>	<u>(45,699)</u>

Change in net position of governmental activities \$(508,642)

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2014

Exhibit G

	Nonmajor Proprietary Funds
Assets	
Current assets	
Cash, cash equivalents	\$177,165
Accounts receivable	900
Inventories	<u>14,799</u>
Total current assets	192,864
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>193,215</u>
Total assets	<u>386,079</u>
 Liabilities	
Current liabilities	
Accounts payable	125
Salaries and benefits payable	33,583
Unearned revenue	<u>5,696</u>
Total liabilities	<u>39,404</u>
 Net Position	
Investment in capital assets	193,215
Unrestricted	<u>153,460</u>
Total net position	<u><u>\$346,675</u></u>

See notes to financial statements.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

Exhibit H

	Nonmajor Proprietary Funds
Operating revenue	
Local sources	
Charges for service	<u>\$285,704</u>
Operating expenses	
Instruction - Preschool/Daycare program	
Regular	
Salaries	42,062
Benefits	10,478
Purchased services	50
Supplies	6,839
Depreciation	<u>1,384</u>
	<u>60,813</u>
Support services	
Instructional staff - Preschool/Daycare program	
Purchased services	<u>120</u>
Administration - Food Service operations	
Salaries	16,761
Benefits	2,820
Purchased services	<u>1,465</u>
	<u>21,046</u>
Non-instructional programs	
Food service operations	
Salaries	149,630
Benefits	31,750
Purchased services	6,377
Supplies	225,211
Depreciation	<u>25,059</u>
	<u>438,027</u>
Total operating expenses	<u>520,006</u>
Operating (loss)	<u>(234,302)</u>
Non-operating revenue	
Interest income	275
State sources	3,758
Federal sources	<u>194,738</u>
Total non-operating revenue	<u>198,771</u>
Change in net position	(35,531)
Net position beginning of year	<u>382,206</u>
Net position end of year	<u>\$346,675</u>

See notes to financial statements.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

Exhibit I

	Nonmajor Proprietary Funds
Cash flows from operating activities	
Cash received from sale of services	\$ 302,730
Cash payments to employees for services	(255,576)
Cash payments to suppliers for goods and services	<u>(232,760)</u>
Net cash (used in) operating activities	<u>(185,606)</u>
Cash flows from non-capital financing activities	
State grants received	3,758
Federal grants received	<u>180,859</u>
Net cash provided by non-capital financing activities	<u>184,617</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>275</u>
Net (decrease) in cash and cash equivalents	(714)
Cash and cash equivalents, beginning of year	<u>177,879</u>
Cash and cash equivalents, end of year	<u>\$ 177,165</u>
Reconciliation of operating (loss) to net cash	
(used in) operating activities	
Operating (loss)	\$(234,302)
Adjustments to reconcile operating (loss) to	
net cash (used in) operating activities	
Depreciation	26,443
Commodities used	13,879
Decrease in accounts receivable	17,027
(Increase) in inventory	(4,976)
(Decrease) in accounts payable	(1,601)
(Decrease) in accrued salaries and benefits	<u>(2,076)</u>
Net cash (used in) operating activities	<u>\$(185,606)</u>

Non-cash investing, capital and related financing activities.

During the year ended June 30, 2014, the District received \$13,879 of federal commodities.

See notes to financial statements.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2014

Exhibit J

	Private Purpose Trust <u>Scholarships</u>
Assets	
Cash, cash equivalents and pooled investments	\$2,600
Liabilities	
Accounts payable	<u>600</u>
Net position	<u><u>\$2,000</u></u>

See notes to financial statements.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2014

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	
Local sources	
Gifts and contributions	\$2,000
Deductions	
Instruction, regular	
Scholarships	<u>1,550</u>
Change in net position	450
Net position beginning of year	<u>1,550</u>
Net position end of year	<u>\$2,000</u>

See notes to financial statements.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies

The Louisa-Muscatine Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and a preschool/daycare program. The geographic area served includes the Cities of Letts, Grandview and Fruitland, Iowa, and the agricultural territory in Louisa and Muscatine Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Louisa-Muscatine Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Louisa-Muscatine Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in jointly governed organizations that provide services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Louisa County and Muscatine County Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets and liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Project - Statewide Sales, Services and Use Tax Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets from the revenue of the Statewide Sales, Services and Use Tax.

The District reports no major proprietary funds. However, the District reports two non-major proprietary funds. The School Nutrition Fund is used to account for the food service operation of the District. The Daycare & Preschool Fund is used to account for the operations of the District's preschool and daycare programs.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund consists of the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, termination benefits and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and

delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust and The Education Liquidity Fund Institutional Money Market Fund which are valued at amortized cost under the Investment Company Act of 1940.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

The Education Liquidity Fund Institutional Money Market Fund is a "money market fund" that seeks to maintain a stable net asset value of \$1.00 per share. The Fund qualifies as a legal investment for the District under Iowa Law.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$3,500
Buildings	\$3,500
Improvements other than buildings	\$3,500
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$3,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings and improvements	5-40 years
Improvements other than buildings	15-20 years
Intangibles	5-10 years
Furniture and equipment	3-20 years

Salaries and Benefits Payable - Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Termination Benefits - District employees meeting certain requirements are eligible for early retirement termination benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund

financial statements only for employees that have resigned or retired. The termination benefit liability has been computed based on rates of pay in effect at June 30, 2014. The termination benefit liability attributable to the governmental activities will be paid primarily from the Management Fund.

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivables and income surtax receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Equity - In the governmental fund financial statements, fund equity is classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the preceding classification.

Net Position - In the district-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations or other governments or imposed by law through constitutional provisions or enabling legislation.

Net position restricted through enabling legislation includes \$126,162 for physical plant and equipment, \$36,967 for student activities and \$2,900,335 for school infrastructure.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Nonmajor governmental Debt service	Capital Projects Statewide sales, services and use tax	\$ 152,020

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expand the resources. The transfer from the Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for payment of principal and interest on long-term debt.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 90,976	\$ -	\$ -	\$ 90,976
Capital assets being depreciated:				
Buildings and improvements	18,485,108	58,205	-	18,543,313
Improvements other than buildings	1,081,336	-	-	1,081,336
Furniture and equipment	1,706,522	247,274	(61,151)	1,892,645
Total capital assets being depreciated	21,272,966	305,479	(61,151)	21,517,294
Less accumulated depreciation for:				
Buildings and improvements	8,081,280	407,272	-	8,488,552
Improvements other than buildings	807,258	26,097	-	833,355
Furniture and equipment	1,383,608	135,742	(61,151)	1,458,199
Total accumulated depreciation	10,272,146	569,111	(61,151)	10,780,106
Total capital assets being depreciated, net	11,000,820	(263,632)	-	10,737,188
Governmental activities capital assets, net	<u>\$ 11,091,796</u>	<u>\$ (263,632)</u>	<u>\$ -</u>	<u>\$ 10,828,164</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 434,462	\$ -	\$ -	\$ 434,462
Less accumulated depreciation	214,804	26,443	-	241,247
Business type activities capital assets, net	<u>\$ 219,658</u>	<u>\$ (26,443)</u>	<u>\$ -</u>	<u>\$ 193,215</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 10,920
Other	969
Support services	
Administration	15,522
Operation and maintenance of plant	12,825
Transportation	95,505
	135,741
Unallocated depreciation	433,370
Total governmental activities depreciation expense	<u>\$ 569,111</u>

Business type activities

Food services	<u>\$ 26,443</u>
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Note 5. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities:					
QSCB revenue bonds	\$ 5,300,000	\$ -	\$ -	\$ 5,300,000	\$ -
Termination benefits	113,142	58,475	(45,258)	126,359	68,648
Net OPEB liability	84,340	42,733	(10,251)	116,822	-
Totals	<u>\$ 5,497,482</u>	<u>\$ 101,208</u>	<u>\$ (55,509)</u>	<u>\$ 5,543,181</u>	<u>\$ 68,648</u>

Interest costs incurred and charged to expense on all long-term debt was \$150,520 for the year ended June 30, 2014. Payments on the revenue bonds are made from the Statewide Sales, Services and Use Tax Fund.

Termination Benefits

During the fiscal year ended June 30, 2014, the District offered a voluntary early retirement plan to its certified employees, who met certain eligibility guidelines. This voluntary early retirement plan was offered only for the 2013-2014 school year. Eligible employees were required to be at least age fifty-five and have completed twenty years of consecutive contracted full-time service to the District. Employees were required to complete an application, which was approved by the Board of Education. Benefits were based on one-half of the retiring employee's placement on the salary schedule (excluding extra duty increments, phase monies or extended contracts) up to \$25,000. Benefits are paid in five equal installments over five fiscal years, beginning with the year ended June 30, 2014. Actual termination benefit expenditures for the year ended June 30, 2014 were \$45,258. At June 30, 2014, the District had obligations to six participants totaling of \$126,359. This long-term liability is generally liquidated with funds from the Management Levy.

QSCB Revenue Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of November 17, 2009			
	Interest Rates	Interest	Principal	Total
2015	2.84	\$ 150,520	\$ -	\$ 150,520
2016	2.84	150,520	-	150,520
2017	2.84	150,520	-	150,520
2018	2.84	150,520	-	150,520

2019	2.84	150,520	-	150,520
2020-2024	2.84	752,600	-	752,600
2025	2.84	<u>75,260</u>	<u>5,300,000</u>	<u>5,375,260</u>
Totals		<u>\$ 1,580,460</u>	<u>\$ 5,300,000</u>	<u>\$ 6,880,460</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$5,300,000 of bonds issued in November 2009. The bonds were issued for the purpose of financing a portion of the costs of a geothermal system and remodeling project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2025. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual interest payments on the bonds are expected to require approximately 30 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$6,880,460. For the current year, no principal was paid on the bonds; however \$150,520 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$666,749.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) Proceeds of the bonds were deposited into the Project Account, which was used to finance the construction project. Interest earned by the Project Account shall remain in the Project Account and be spent in accordance with the resolution and applicable provisions of the Code.
- b) All proceeds from the statewide sales, services and use tax shall be placed in the Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into the Sinking Account to pay the principal and interest requirements of the revenue bonds.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.
- e) \$225,531 of the proceeds from issuance of the revenue bonds shall be deposited to the Sinking Account to be used solely for the purpose of paying principals and interest on the bonds if insufficient money is available in the Revenue Account.

Note 6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 5.95%, 5.78% and 5.38% of their annual covered salary and the District is required to contribute 8.93%, 8.67% and 8.07% of annual covered

payroll for the years ended June 30, 2014, 2013 and 2012 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$488,593, \$471,054 and \$428,608, respectively, equal to the required contributions for each year.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 137 active, of which 95 elected out of coverage, and 14 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of the plan members are established and may be amended by the District. Upon retirement, the retired participant is assumed to pay 100 percent of the required premium. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 40,624
Interest on net OPEB obligation	2,109
Adjustment to annual required contribution	<u>(5,905)</u>
Annual OPEB cost	36,828
Contributions made	<u>(4,346)</u>
Increase in net OPEB obligation	32,482
Net OPEB obligation beginning of year	<u>84,340</u>
Net OPEB obligation end of year	<u><u>\$ 116,822</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$4,346 to the medical plan. Plan members eligible for benefits contributed \$5,000 or 60% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 24,031	34.8%	\$ 15,676
2011	\$ 24,122	34.5%	\$ 31,477
2012	\$ 23,868	34.9%	\$ 47,024
2013	\$ 35,364	9.4%	\$ 84,340
2014	\$ 36,828	11.8%	\$ 116,822

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$251,768, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$251,768. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7.1 million and the ratio of UAAL to covered payroll was 3.5%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected premiums of the medical plan vary for family and single individuals and for different deductibles. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$310,017 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Related Party Transactions

During the year ended June 30, 2014, the District entered into business transactions totaling \$2,118 with Kemp and Son, Inc., a company partly owned by Board President Angie Kemp. The transactions were for snow removal and repairs and were entered into through the competitive bidding process.

Note 11. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2014, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 12. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program

At-risk	\$ 67,129
Returning dropout and dropout prevention program	64,264
Teacher salary supplement	1,693
Class size reduction	19,236
Statewide voluntary preschool	60,368
Early literacy grant	10,189
Educator quality, professional development	19,756
Teacher leadership grant	<u>4,590</u>
	<u>\$ 247,225</u>

Note 13. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Required Supplementary Information

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual
 All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 For the Year Ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$3,952,384	\$285,979	\$4,238,363	\$ 4,844,525	\$4,844,525	\$ (606,162)
State sources	4,648,650	3,758	4,652,408	4,040,118	4,040,118	612,290
Federal sources	260,492	194,738	455,230	469,000	469,000	(13,770)
Total revenues	<u>8,861,526</u>	<u>484,475</u>	<u>9,346,001</u>	<u>9,353,643</u>	<u>9,353,643</u>	<u>(7,642)</u>
Expenditures/Expenses						
Instruction	5,660,571	60,813	5,721,384	5,934,000	5,934,000	212,616
Support services	2,790,506	21,166	2,811,672	2,829,500	2,829,500	17,828
Non-instructional programs	11,772	438,027	449,799	470,000	470,000	20,201
Other expenditures	591,486	-	591,486	626,610	626,610	35,124
Total expenditures/expenses	<u>9,054,335</u>	<u>520,006</u>	<u>9,574,341</u>	<u>9,860,110</u>	<u>9,860,110</u>	<u>285,769</u>
(Deficiency) of revenues						
(under) expenditures/expenses	(192,809)	(35,531)	(228,340)	(506,467)	(506,467)	278,127
Balance, beginning of year	<u>4,901,150</u>	<u>382,206</u>	<u>5,283,356</u>	<u>5,347,271</u>	<u>5,347,271</u>	<u>(63,915)</u>
Balance, end of year	<u>\$4,708,341</u>	<u>\$346,675</u>	<u>\$5,055,016</u>	<u>\$ 4,840,804</u>	<u>\$4,840,804</u>	<u>\$ 214,212</u>

See accompanying Independent Auditor's Report.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures or expenses known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt any budget amendments.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$209,184	\$209,184	\$ -	\$5,348,845	3.9%
2011	July 1, 2009	-	209,184	209,184	-	5,541,441	3.8%
2012	July 1, 2009	-	209,184	209,184	-	5,367,898	3.9%
2013	July 1, 2012	-	264,019	264,019	-	5,276,769	5.0%
2014	July 1, 2012	-	251,768	251,768	-	7,127,875	3.5%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

Schedule 1

	<u>Special Revenue</u>		<u>Capital Projects Physical Plant and Equipment</u>	<u>Total</u>
	<u>Student Activity</u>	<u>Management Levy</u>	<u>Levy</u>	
Assets				
Cash, cash equivalents and pooled investments	\$36,967	\$ 83,240	\$100,172	\$220,379
Receivables				
Property tax				
Delinquent	-	872	2,003	2,875
Succeeding year	-	309,999	222,506	532,505
Income surtax	-	-	28,593	28,593
Due from other governments	-	11	24	35
Total assets	<u>\$36,967</u>	<u>\$394,122</u>	<u>\$353,298</u>	<u>\$784,387</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 4,630	\$ 4,630
Total liabilities	<u>-</u>	<u>-</u>	<u>4,630</u>	<u>4,630</u>
Deferred inflows of resources				
Unavailable revenue				
Succeeding year property tax	-	309,999	222,506	532,505
Income surtax	-	-	28,593	28,593
Total deferred inflows of resources	<u>-</u>	<u>309,999</u>	<u>251,099</u>	<u>561,098</u>
Fund balances				
Restricted for				
Student activities	36,967	-	-	36,967
Management levy purposes	-	84,123	-	84,123
Physical plant and equipment	-	-	97,569	97,569
Total fund balances	<u>36,967</u>	<u>84,123</u>	<u>97,569</u>	<u>218,659</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$36,967</u>	<u>\$394,122</u>	<u>\$353,298</u>	<u>\$784,387</u>

See accompanying Independent Auditor's Report.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

Schedule 2

	<u>Special Revenue</u>		<u>Capital Projects</u>		
	<u>Student Activity</u>	<u>Management Levy</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	<u>Total</u>
Revenues					
Local sources					
Local taxes	\$ -	\$ 100,130	\$261,286	\$ -	\$ 361,416
Other	122,910	5,071	28,346	-	156,327
State sources	-	46	104	-	150
Federal sources	-	-	25,000	-	25,000
Total revenues	<u>122,910</u>	<u>105,247</u>	<u>314,736</u>	<u>-</u>	<u>542,893</u>
Expenditures					
Current					
Instruction					
Regular	-	70,696	48,388	-	119,084
Special	-	4,201	-	-	4,201
Other	120,867	2,198	-	-	123,065
Total instruction	<u>120,867</u>	<u>77,095</u>	<u>48,388</u>	<u>-</u>	<u>246,350</u>
Support services					
Student	-	1,153	-	-	1,153
Instructional staff	-	14,400	-	-	14,400
Administration	-	7,704	84,001	-	91,705
Operation and maintenance of plant	-	60,152	-	-	60,152
Transportation	-	25,396	165,327	-	190,723
Total support services	<u>-</u>	<u>108,805</u>	<u>249,328</u>	<u>-</u>	<u>358,133</u>
Non-instructional programs	<u>-</u>	<u>11,772</u>	<u>-</u>	<u>-</u>	<u>11,772</u>
Other expenditures					
Facilities acquisition	-	-	129,449	-	129,449
Long-term debt					
Interest and fiscal charges	-	-	-	152,020	152,020
Total other expenditures	<u>-</u>	<u>-</u>	<u>129,449</u>	<u>152,020</u>	<u>281,469</u>
Total expenditures	<u>120,867</u>	<u>197,672</u>	<u>427,165</u>	<u>152,020</u>	<u>897,724</u>
Excess (deficiency) of revenues over (under) expenditures	2,043	(92,425)	(112,429)	(152,020)	(354,831)
Other financing sources					
Interfund operating transfers in	-	-	-	152,020	152,020
Change in fund balances	2,043	(92,425)	(112,429)	-	(202,811)
Fund balances, beginning of year	34,924	176,548	209,998	-	421,470
Fund balances, end of year	<u>\$36,967</u>	<u>\$ 84,123</u>	<u>\$ 97,569</u>	<u>\$ -</u>	<u>\$ 218,659</u>

See accompanying Independent Auditor's Report.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2014

Schedule 3

	<u>School Nutrition</u>	<u>Daycare & Preschool</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 88,430	\$88,735	\$177,165
Accounts receivable	-	900	900
Inventories	<u>14,799</u>	<u>-</u>	<u>14,799</u>
Total current assets	103,229	89,635	192,864
Noncurrent assets			
Capital assets, net of accumulated depreciation	<u>191,829</u>	<u>1,386</u>	<u>193,215</u>
Total assets	<u>295,058</u>	<u>91,021</u>	<u>386,079</u>
Liabilities			
Current liabilities			
Accounts payable	125	-	125
Salaries and benefits payable	27,800	5,783	33,583
Unearned revenue	<u>5,696</u>	<u>-</u>	<u>5,696</u>
Total liabilities	<u>33,621</u>	<u>5,783</u>	<u>39,404</u>
Net Position			
Net investment in capital assets	191,829	1,386	193,215
Unrestricted	<u>69,608</u>	<u>83,852</u>	<u>153,460</u>
Total net position	<u>\$261,437</u>	<u>\$85,238</u>	<u>\$346,675</u>

See accompanying Independent Auditor's Report.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2014

Schedule 4

	<u>School Nutrition</u>	<u>Daycare & Preschool</u>	<u>Total</u>
Operating revenue			
Local sources			
Charges for service	\$237,477	\$ 48,227	\$285,704
Operating expenses			
Instruction			
Regular			
Salaries	-	42,062	42,062
Benefits	-	10,478	10,478
Purchased services	-	50	50
Supplies	-	6,839	6,839
Depreciation	-	1,384	1,384
	<u>-</u>	<u>60,813</u>	<u>60,813</u>
Support services			
Instructional staff			
Purchased services	-	120	120
Administration			
Salaries	16,761	-	16,761
Benefits	2,820	-	2,820
Purchased services	1,465	-	1,465
	<u>21,046</u>	<u>-</u>	<u>21,046</u>
Non-instructional programs			
Food service operations			
Salaries	149,630	-	149,630
Benefits	31,750	-	31,750
Purchased services	6,377	-	6,377
Supplies	225,211	-	225,211
Depreciation	25,059	-	25,059
	<u>438,027</u>	<u>-</u>	<u>438,027</u>
Total operating expenses	<u>459,073</u>	<u>60,933</u>	<u>520,006</u>
Operating (loss)	<u>(221,596)</u>	<u>(12,706)</u>	<u>(234,302)</u>
Non-operating revenue			
Interest income	131	144	275
State sources	3,758	-	3,758
Federal sources	194,738	-	194,738
Total non-operating revenue	<u>198,627</u>	<u>144</u>	<u>198,771</u>
Change in net position	<u>(22,969)</u>	<u>(12,562)</u>	<u>(35,531)</u>
Net assets, beginning of year	284,406	97,800	382,206
Net assets, end of year	<u>\$261,437</u>	<u>\$ 85,238</u>	<u>\$346,675</u>

See accompanying Independent Auditor's Report.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2014

Schedule 5

	<u>School Nutrition</u>	<u>Daycare & Preschool</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from sale of services	\$ 237,649	\$ 65,081	\$ 302,730
Cash payments to employees for services	(204,792)	(50,784)	(255,576)
Cash payments to suppliers for goods and services	<u>(225,563)</u>	<u>(7,197)</u>	<u>(232,760)</u>
Net cash provided by (used in) operating activities	<u>(192,706)</u>	<u>7,100</u>	<u>(185,606)</u>
Cash flows from non-capital financing activities			
State grants received	3,758	-	3,758
Federal grants received	<u>180,859</u>	<u>-</u>	<u>180,859</u>
Net cash provided by non-capital financing activities	<u>184,617</u>	<u>-</u>	<u>184,617</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities			
Interest on investments	<u>131</u>	<u>144</u>	<u>275</u>
Net increase (decrease) in cash and cash equivalents	(7,958)	7,244	(714)
Cash and cash equivalents, beginning of year	96,388	81,491	177,879
Cash and cash equivalents, end of year	<u>\$ 88,430</u>	<u>\$ 88,735</u>	<u>\$ 177,165</u>

**Reconciliation of operating (loss) to net cash
provided by (used in) operating activities**

Operating (loss)	\$ (221,596)	\$ (12,706)	\$ (234,302)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities			
Depreciation	25,059	1,384	26,443
Commodities used	13,879	-	13,879
Decrease in accounts receivable	173	16,854	17,027
(Increase) in inventory	(4,976)	-	(4,976)
(Decrease) in accounts payable	(1,413)	(188)	(1,601)
Increase (decrease) in accrued salaries and benefits	<u>(3,832)</u>	<u>1,756</u>	<u>(2,076)</u>
Net cash provided by (used in) operating activities	<u>\$ (192,706)</u>	<u>\$ 7,100</u>	<u>\$ (185,606)</u>

Non-cash investing, capital and related financing activities.

During the year ended June 30, 2014, the District received \$13,879 of federal commodities.

See accompanying Independent Auditor's Report.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2014

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Athletics	\$ 3,091	\$ 49,554	\$ 56,393	\$ -	\$ (3,748)
Cheerleading fundraising	2,186	2,012	2,207	-	1,991
Cheerleading resale	-	-	-	-	-
Jr high	756	4,652	4,071	-	1,337
Elementary activity	6,003	5,846	6,261	-	5,588
Concessions	5,860	4,146	3,900	(154)	5,952
FFA	2,200	50	1,542	-	708
FFA Greenhouse	-	2,000	-	-	2,000
Band	5,013	6,708	6,105	693	6,309
Speech	379	207	259	-	327
Drama	1,349	1,530	360	-	2,519
Student council	1,886	1,675	2,678	-	883
Yearbook	2,452	3,158	726	-	4,884
Quiz bowl	268	-	-	-	268
Vocal music	-	4,494	5,900	1,090	(316)
Music	-	24,761	18,991	(1,783)	3,987
TAG	1,221	-	50	-	1,171
Senior class	18	3,844	3,629	-	233
NHS	25	6,928	6,470	200	683
Interest	-	46	-	(46)	-
FFA Vending	2,217	1,299	1,325	-	2,191
Totals	<u>\$ 34,924</u>	<u>\$ 122,910</u>	<u>\$ 120,867</u>	<u>\$ -</u>	<u>\$ 36,967</u>

See accompanying Independent Auditor's Report.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Modified Accrual Basis										
Revenues										
Local sources										
Local tax	\$3,033,379	\$3,643,808	\$4,216,818	\$ 4,075,409	\$ 3,943,319	\$4,132,933	\$4,000,876	\$3,931,457	\$3,909,874	\$3,766,108
Tuition	622,398	574,429	793,894	772,734	785,368	860,156	757,169	553,573	553,280	508,531
Other	296,607	395,161	242,588	472,850	251,793	426,907	417,193	336,277	283,281	314,894
State sources	4,648,650	4,143,981	4,154,161	4,093,480	3,409,681	4,057,811	4,510,165	3,964,926	3,659,560	3,661,562
Federal sources	260,492	308,284	403,626	379,225	682,620	289,315	161,365	193,488	182,377	165,659
Total revenues	<u>\$8,861,526</u>	<u>\$9,065,663</u>	<u>\$9,811,087</u>	<u>\$ 9,793,698</u>	<u>\$ 9,072,781</u>	<u>\$9,767,122</u>	<u>\$9,846,768</u>	<u>\$8,979,721</u>	<u>\$8,588,372</u>	<u>\$8,416,754</u>
Expenditures										
Current										
Instruction										
Regular	\$3,727,066	\$4,070,898	\$3,619,438	\$ 3,596,252	\$ 3,778,375	\$3,868,239	\$3,919,409	\$3,498,070	\$3,231,244	\$3,082,267
Special	836,000	1,014,795	980,475	1,000,414	881,135	939,238	871,910	868,993	722,969	804,476
Other	1,097,505	750,441	1,156,680	1,159,407	1,091,537	1,016,267	677,268	750,354	771,639	645,212
Support services										
Student	203,436	195,925	193,748	217,232	247,448	208,830	212,602	202,923	196,937	232,680
Instructional staff	474,649	459,465	354,429	355,953	341,147	313,337	288,542	409,712	423,431	373,511
Administration	909,643	874,105	833,084	788,504	798,346	760,514	801,954	651,981	705,263	601,085
Operation and maintenance of plant	605,175	597,112	588,528	591,088	654,292	658,326	707,958	653,872	598,758	533,134
Transportation	597,603	419,487	491,549	377,921	459,268	483,092	503,815	624,877	447,702	428,106
Central support	-	-	1	-	2,264	467	-	-	-	-
Non-instructional programs	11,772	10,505	9,641	8,112	7,403	8,403	-	-	162	4,049
Other expenditures										
Facilities acquisition	129,449	46,376	351,799	1,213,204	4,662,706	283,477	159,735	290,843	300,390	62,814
Long-term debt										
Principal	-	-	-	410,000	461,337	830,000	500,000	470,000	445,000	433,338
Interest and other charges	152,020	153,020	152,021	191,367	40,650	79,970	103,833	127,232	148,857	201,910
AEA flowthrough	310,017	300,322	301,360	333,886	330,730	311,337	308,167	278,396	259,272	248,857
Total expenditures	<u>\$9,054,335</u>	<u>\$8,892,451</u>	<u>\$9,032,753</u>	<u>\$10,243,340</u>	<u>\$13,756,638</u>	<u>\$9,761,497</u>	<u>\$9,055,193</u>	<u>\$8,827,253</u>	<u>\$8,251,624</u>	<u>\$7,651,439</u>

See accompanying Independent Auditor's Report.

Kay L. Chapman, CPA PC

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Louisa-Muscatine Community School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Louisa-Muscatine Community School District as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated January 29, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Louisa-Muscatine Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louisa-Muscatine Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Louisa-Muscatine Community School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as item A to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisa-Muscatine Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Louisa-Muscatine Community School District's Responses to Findings

Louisa-Muscatine Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. Louisa-Muscatine Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Louisa-Muscatine Community School District during the course of my audit. Should you have any questions concerning any of the about matters, I shall be pleased to discuss them with you at your convenience.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
January 29, 2015

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2014

Part I. Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

- A. Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts and disbursements, bank deposits and bank account reconciliations were all handled by the same person.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response and Corrective Action Planned - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

Part II. Other Findings Related to Required Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 14 did not exceed the certified budget amounts.
2. Questionable Expenditures - No expenditures I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - Business transactions between the District and District officials are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Angie Kemp, board member part owner of Kemp & Son, Inc.	snow removal and repairs	\$2,118

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2014

The transactions with Board Member Kemp's business do not appear to represent a conflict of interest since they were competitively bid, as allowed by Chapter 279.7A of the Code of Iowa.

Recommendation - The District should consult legal counsel to determine the disposition of this matter.

Response - We will review the situation.

Conclusion- Response accepted.

5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
10. Certified Annual Reports - The Certified Annual Report was certified timely to the Department of Education.
11. Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2014

Beginning balance		\$ 2,371,374
Revenues		
Statewide sales and services tax revenue	\$ 666,749	
Other local revenues	<u>44,597</u>	711,346
Expenditures/transfers out		
School infrastructure		
School infrastructure construction	\$ 1,500	
Equipment	28,865	
Debt service for school infrastructure		
Revenue debt	<u>152,020</u>	<u>182,385</u>
Ending balance		<u>\$ 2,900,335</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

LOUISA-MUSCATINE COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2014

This audit was performed by

Kay Chapman, CPA
Terri Slater, staff accountant